

INLAND STEEL COMPANY

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CLARENCE B. RANDALL
CHAIRMAN

✓

January 20, 1955

Mr. C. J. Symington
Chairman
Policy Committee for NPA Case Studies
National Planning Association
230 Park Avenue
New York 17, New York

Dear Mr. Symington:

Thanks so much for sending me the
document concerning the Grace Company in
Peru.

I sense that these studies can be
extraordinarily helpful in the field of
foreign economic relationships.

Sincerely,

Clarence B. Randall

CBR/md

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON 25, D. C.



DEPARTMENT OF STATE
WASHINGTON

January 28 1955

In reply refer to
OFD

Dear Mr. Symington:

I was very glad to receive your letter of January 18, 1955, enclosing a copy of the recent report of the National Planning Association on the operations of the W. R. Grace Company in Peru.

I was particularly interested in your plans for additional reports of a similar nature on the operations of other American companies abroad. In publishing this series of reports your Association is rendering an important public service directly related to the current effort to stimulate and encourage private enterprise abroad. The success of this effort requires a thorough understanding of the nature of private enterprise and of its impact upon the development of foreign countries in which it has been able to operate effectively. Your series of illustrative studies is proving extremely useful in attaining such an understanding.

Sincerely yours,

Samuel C. Maugh
Assistant Secretary

Mr. C. J. Symington, Chairman,
Policy Committee for KPA Case Studies,
National Planning Association,
230 Park Avenue,
New York 17, New York.

NEW YORK
Herald Tribune

26

Thursday, December 9, 1954

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Casa Grace

The case study of the W. R. Grace Company's activities in Peru, newly released by the National Planning Association, deserves the serious attention of all who are interested in the performance of American business abroad. The authors, Eugene W. Burgess and Frederick H. Harblson, give a highly encouraging account of what one North American concern has accomplished in South America.

The case studies of the N. P. A. grew out of discussions among business men in 1951. They viewed with concern what they regarded as a trend in this country toward depending almost wholly on gifts, grants and loans to build economic strength abroad. They hoped to prove that United States companies, while operating profitably, could contribute to the over-all development program of foreign countries. They hoped to discover, through such intensive studies as this one, patterns which would prove valuable to other businesses, to investors, national governments and international agencies such as the proposed new International Finance Corporation.

A striking feature of the report is its unfolding of the vast range of Casa Grace operations in Peru. Apart from its well known steamship and air-line activities, the company is extensively engaged in such diverse industries as textiles, agriculture, food processing, paper, chemicals, paints, ores, merchandising, machinery and travel. Some of these activities have

helped Peru's export-import balance by increasing domestic production and providing foreign exchange. Some have stimulated competitive business.

The report is especially encouraging in its picture of a North American enterprise popular with Peruvians. Out of more than 11,000 employees in Peru—excluding operating personnel of the Grace Line and Panagra—all but 115 are Peruvian. The general manager of all Casa Grace enterprises in Peru is a Peruvian; of his staff, five are Peruvians and four North Americans. Casa Grace, in short, has succeeded in improving the economies of peoples in both North and South America while retaining the confidence and good will of both parties. The pattern is decidedly worth examining, and the N. P. A. has rendered a valuable service in making its study available.

REPORT ON PERU, DECEMBER 16, 1954

REPORT ON PERU

The difficulties and dangers faced by American investors abroad have attracted more attention than the opportunities which promise both profit to us and to other countries as well. This creates special public interest for the National Planning Association's report of the highly successful operations of W. R. Grace & Co. in Peru.

Through its branch office in Lima and seven subsidiary Peruvian corporations, "Casa Grace" is now the second largest employer in Peru, operating in nine different fields of manufacture and transportation. All this is being done without any subsidies, guarantees or concessions from either the Peruvian or the United States Government and in spite of the handicap of American taxation on income which has also been taxed in Peru.

The enlightened policies of Casa Grace might well serve as a code for successful foreign operations everywhere. Most important has been its steady devotion to the faith of most "Norteamericanos": that whatever is can be improved upon. Also Casa Grace has insisted on a close partnership with Peruvians in personnel and in the recruitment of capital for local operations. Of its 11,000 employees all but 115 are Peruvians, as is the general manager of the Grace company branch and five out of eight heads of its subsidiaries. It stays out of politics, but cooperates with programs of the Government, shows respect for local customs and religious traditions and will employ no foreign employé who does not speak fluently in Spanish.

This study is one of a series to be made by the N. P. A. on successful private operations by American companies in various parts of the world. In these reports it hopes "to discover patterns which will prove helpful guides to other United States companies abroad and to potential private investors." The need for them is great—especially at this juncture in the troubled world's affairs. We hope that the others will be as useful as this.

Bright Side of Business in Latin America

WHILE THERE are differences in emphasis, all of the 21 American nations meeting this week in Rio de Janeiro agree that more private investment from abroad is needed to spark Latin America's economic development.

But encouraging that investment flow is easier said than done. Newcomers to overseas investment are frightened by political and economic instability. Oldtimers tell tales of inflation, blocked currencies, ultranationalism, and other woes. Stories of nationalizations and expropriations make the newspapers. Success rarely does.

Several years ago the National Planning Assn., a nonprofit research organization with headquarters in Washington, decided to seek success stories—instances where a U.S. business organization leads an exemplary existence abroad, to the profit of its stockholders and its host country.

In May, 1953, NPA released its first "case study" of American business abroad—the story of Sears, Roebuck & Co.'s retail operations in Mexico (BW-May 9 '53, p168). This week brought the second—a study of W. R. Grace & Co.'s 100 years of doing business in Peru. (Casa Grace in Peru, by Eugene W. Burgess and Frederick H. Harbison. 112 pp., NPA, \$1.)

THE BOOK is a readable, fast-moving account of the impact of the House of Grace on Peru—and vice versa. The authors (Burgess is NPA's research director; Harbison is professor of industrial relations at the University of Chicago) are frankly laudatory. Indeed, there may be some who will quarrel with one of their conclusions: So closely is Grace's Peruvian business identified with the nation, the authors suggest, that what is good for Casa Grace is good for Peru. But no skeptic can deny 100 years of mutually profitable cooperation.

NPA doesn't attempt to study Grace in its larger framework—a \$350-million complex of transport, industry, banking, trading on two continents. Instead NPA focuses on Peru, where William R. Grace began business in 1854 as a partner in a ship supply firm.

Today, there is hardly a Peruvian

who does not eat, wear, or use something processed, manufactured, or imported by Casa Grace. The Peruvian enterprise grew by design and by chance. It has some of the flavor of an old-line British merchant house, along with a restless spirit of Yankee inventiveness.

IN TEXTILES, for example, Casa Grace has been a pioneer, with many "firsts" in modernizing and expanding the market, of which it now holds a 45% share. It has stimulated competition in Peru, and competition from abroad. Its goal has been to increase the total, not to capture a larger share.

Casa Grace got into sugar by chance—its first hacienda came in payment of a debt in 1884. Again, mechanization, research, constant upgrading of products have prodded the whole range of agriculture.

Sugar led to paper. In 1939, Grace engineers produced the world's first commercially successful paper from sugar cane waste. Now, Grace in Peru produces everything from candy wrappers to multiwall sacks.

Peru is a mining country, and large operators from abroad (the U.S.-owned Cerro de Pasco Corp. is the largest) dominate the scene. Casa Grace's role has evolved into one of providing grubstakes and tools on credit to the small miner and providing a ready cash market for his limited ore output.

There are many more instances—which show Grace producing the first quality paints in Peru; introducing truck transport; importing machinery; going into partnership in a modern candy and biscuit factory; pushing Peruvian tourism with its airline and shipping interests, and so on.

THE NPA RESEARCHERS are aware that some believe that the company is far too powerful for Peru. Their evidence, however, is that Grace's influence and power have been a progressive force, rather than regressive and monopolistic.

The reason, perhaps, is because Casa Grace has evolved a system of behavior, and management techniques, that work in a small, underdeveloped nation.

Management posts are filled on

the basis of merit, not nationality. Grace has had a century to build up local talent; today five of the nine top executives in Peru are Peruvians, serving under a Peruvian general manager who is also an executive of the New York parent. Casa Grace's practice of rotating management people is developing, according to Burgess and Harbison, some of the most brilliant and broadly trained executives in Latin America.

Casa Grace was enjoined by its founder to stay out of politics—that it has managed to prosper for 100 years under every kind of government is one argument that this policy has succeeded. It doesn't mean the company doesn't keep in close touch with government people and cooperate with them. But Grace has apparently never crossed the line into political dabbling—which could be dangerous.

Casa Grace has insisted that all its foreign personnel—U.S., British, European—conduct business in fluent Spanish. And it sees to it that Peruvian institutions are understood—and respected—by all its personnel.

ONE POINT stands out in both NPA studies to date: Sears in Mexico and Grace in Peru have grown within, as part of, the local market—supplying local needs by local production wherever possible.

Sears was a newcomer to overseas business when it set up shop in Mexico; it soon discovered that it must become even more of a Mexican enterprise than it had counted on being. Casa Grace, on the other hand, cut its teeth in Peru; its Peruvian operation is primarily oriented toward the Peruvian market.

Not everyone can follow these principles. For one thing, Peru and Mexico have especially liberal investment policies; not all nations are so hospitable. Secondly, many important and badly needed investments are and will be involved in extractive, "exploitive" operations, producing and processing natural wealth for export shipment.

But the more they can identify themselves locally, the more successful and longlived their operation may be.

SUNDAY NEWS

220 East 42d St.

NEW YORK'S PICTURE NEWSPAPER

Tel. MUrray Hill 2-1234

Published every Sunday by News Syndicate Co. Inc., at 220 E. 42d St., New York 17, N. Y.
President, F. M. Funn, executive editor and secretary, Richard W. Clarke. Mail subscription rates:
U. S., \$5.00; Canada, \$7.50 per year. For the Sunday and Daily News: U. S., \$20.00; Canada, \$25.00
per year. Armed Forces Special Rates: Sunday, \$2.25; Sunday and Daily, \$11.55 per year.

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REAL HELP FOR OUR NEIGHBORS

The neighbors we're talking about here are our Latin American friends. And the big news about the economic aid they're slated to receive from the U. S. A. is that it won't cost us taxpayers a dime. Positively no oldstyle giveaways or patronizing charity handouts.



Eric Johnston

The idea for this one was hatched by the International Advisory Board, a group of 13 outstanding U. S. business, labor and farm experts. They were commissioned by President Eisenhower to give him their best advice on how we could help less fortunate countries around us boost their standards of living.

Nelson Rockefeller was the original chairman of the outfit. Eric Johnston, a fast-moving economic trouble-shooter, is the present head. The program's formal kickoff will take place some time late in February. In essence, the program will be beautifully simple:

Some 200 top Latin American businessmen are being invited to New Orleans to meet about the same number of our financial and industrial spokesmen.

The Latins will show up with lists of specific industrial developments their countries need, and that they'd like to have considered by American investors, contractors and engineers. The Americans present will be there because they're topnotchers in such work.

Agreements Will Be Made

The conferences will function about like this: After the preliminary speechmaking (a minimum of that) most of the delegates will park themselves comfortably at small tables. There, Latin American businessmen who would like to get their countries such assets as mining developments, cement factories, steel mills, woodworking factories or even ice cream plants, will be able to talk at close range to U. S. engineers who know how to build those things, and to U. S. investment brokers whose clients might be willing to risk their money in them.

The role of the U. S. Government will be kept at a minimum. An American businessman may decide to accept an invitation to look over, say, a Brazilian gold mine that cries for modern machinery, or a Nicaraguan territory whose agriculture would be hyped tremendously if it only had a good fertilizer plant. In that case, U. S. embassies and legations will speed traveling services for the American, feed him all the information he needs, and see that he meets reputable Latin American businessmen on the spot.

After that, he's on his own. If he decides that that cement factory or whatever can be built efficiently with Latin labor and skills plus some U. S. blueprints and/or U. S. capital, he'll simply sign a contract with his Spanish- or Portuguese-speaking contemporaries. If the plant's successful, he'll probably make some profit. If not, that'll be his personal tough luck.

On the other joyous hand, he'll be down there strictly as an engineer or businessman, with no professional do-gooders twittering in his ear that he really ought to forget about that ugly old cement factory and start building our Latin friends tutti-frutti plants, no matter whether they want tutti-frutti or not.

In this connection, the non-political National Planning Association is just after coming up with the second of its series of reports on just how U. S. private enterprise is being received in less developed neighboring lands. NPA's first study had to do with Sears, Roebuck's operations in Mexico. The conclusion: Mexicans have come to love Sears, Roebuck, and the big mail order house has done a lot to hike south-of-Rio Grande living standards.

Peruvians Applaud

The new report covers the private enterprise operations of W. R. Grace & Co. in Peru. Casa Grace, it seems, is not only successful but sensationally popular with the Peruvians. The Grace outfit has modernized Peru's agriculture, markets, mining and manufacturing. This, Peruvians themselves testify, without any "capitalist exploitation" so dear to the Reds.

These realistic plans to help our free-world friends by genuine business cooperation rather than by muttonheaded giveaway programs sound all to the good to us. This especially since rumors from a recent huddle in Moscow were that Premier Malenkov's stooges, excepting possibly Red China, weren't too happy about getting pushed into a shooting fray with the U. S. A., but wouldn't mind collaborating on some cold war, economic potshots at Uncle Sam.

The Redskies are welcome to try. But, when it comes to making genuine friends in Latin America, our bets will be on the established U. S. businessmen and technicians, rather than on any Marxist Slav emulators.

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